

NAIC Group Code 0000 (Current Period) NAIC Company Code 00000 Employer's ID Number 62-1538163  
(Prior Period)

Organized under the Laws of Tennessee, State of Domicile or Port of Entry Tennessee

Country of Domicile US

Licensed as business type:

Life Accident and Health [ ] Property/Casualty [ ] Hospital, Medical and Dental Service or Indemnity [ ]  
Dental Service Corporation [ ] Vision Service Corporation [ ] Other [ ]  
Health Maintenance Organization [ X ] Is HMO Federally Qualified? Yes ( ) No ( )

Incorporated July 1, 1993 Commenced Business January 1, 1994

Statutory Home Office 1407 Union Ave Suite 200, Memphis, Tennessee 38104  
(Street and Number, City or Town, State and Zip Code)

Main Administrative Office 1407 Union Ave Suite 200, Memphis, Tennessee 38104 901-725-7100  
(Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 1407 Union Ave Suite 200, Memphis, Tennessee 38104  
(Street and Number, City or Town, State and Zip Code)

Primary Location of Books and Records 1407 Union Ave Suite 200, Memphis, Tennessee 38104  
(Street and Number, City or Town, State and Zip Code)  
901-725-7100  
(Area Code) (Telephone Number)

Internet Website Address www.mmcc-tlc.com

Statutory Statement Contact Art Ansert 901-725-7100  
(Name) (Area Code) (Telephone Number) (Extension)

AAAnsert@mmcc-tlc.com (E-Mail Address) (Fax Number)

Policyowners 1407 Union Ave Suite 200, Memphis, Tennessee 38104 901-725-7100  
Relations (Street and Number, City or Town, State and Zip Code) (Area Code) (Telephone Number) (Extension)  
Contact and  
Phone Number

#### OFFICERS

1. Al King (President)
2. Bruce Steinhauer (Secretary)

#### VICE PRESIDENTS

#### DIRECTORS OR TRUSTEES

Steven Burkett  
Brenda Jetter  
Andy Spooner, Dr  
Dennis Schaberg, Dr  
Barry Fowler  
Stuart Polly, Dr  
Jeff Brandon  
Al King  
Bruce Steinhauer, Dr

State of Tennessee } SS  
County of Shelby

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

Al King President  
Bruce Steinhauer Secretary  
Steven Burkett Board Chairman

Subscribed and sworn to before me this  
7 day of October, 2005

NOTARY PUBLIC (Seal) MY COMMISSION EXPIRES AUG. 1, 2007

a. Is this an original filing? Yes ( ) No (X)  
b. If no: 1. State the amendment number 1  
2. Date filed October 7, 2005  
3. Number of pages attached 32

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**ASSETS**

	Current Statement Date			4 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Col. 1 minus Col. 2)	
1. Bonds .....	10,140,899		10,140,899	3,203,495
2. Stocks:				
2.1 Preferred stocks .....				
2.2 Common stocks .....				
3. Mortgage loans on real estate:				
3.1 First liens .....				
3.2 Other than first liens .....				
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances) .....				
4.2 Properties held for the production of income (less \$ ..... encumbrances) .....				
4.3 Properties held for sale (less \$ ..... encumbrances) .....				
5. Cash (\$ ..... 8,531,431 ), cash equivalents (\$ ..... ) and short-term investments (\$ ..... 3,120,000 ) .....	11,651,431		11,651,431	18,172,805
6. Contract loans (including \$ ..... premium notes) .....				
7. Other invested assets .....				
8. Receivables for securities .....				
9. Aggregate write-ins for invested assets .....				
10. Subtotals, cash and invested assets (Line 1 to Line 9) .....	21,792,330		21,792,330	21,376,300
11. Title plants less \$ ..... charged off (for Title insurers only) .....				
12. Investment income due and accrued .....	72,909		72,909	33,315
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection .....				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums) .....				
13.3 Accrued retrospective premiums .....				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers .....				
14.2 Funds held by or deposited with reinsured companies .....				
14.3 Other amounts receivable under reinsurance contracts .....				
15. Amounts receivable relating to uninsured plans .....	6,305,984		6,305,984	
16.1 Current federal and foreign income tax recoverable and interest thereon .....				
16.2 Net deferred tax asset .....				
17. Guaranty funds receivable or on deposit .....				
18. Electronic data processing equipment and software .....	684,158	684,158		
19. Furniture and equipment, including health care delivery assets (\$ ..... ) .....	208,667	208,667		
20. Net adjustment in assets and liabilities due to foreign exchange rates .....				
21. Receivables from parent, subsidiaries and affiliates .....	87,387	25,000	62,387	381,112
22. Health care (\$ ..... 190,737 ) and other amounts receivable .....	207,422	200,387	7,035	4,352,007
23. Aggregate write-ins for other than invested assets .....	651,219	651,219		
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Line 10 to Line 23) .....	30,010,076	1,769,431	28,240,645	26,142,734
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....				
26. TOTAL (Line 24 and Line 25) .....	30,010,076	1,769,431	28,240,645	26,142,734
<b>DETAILS OF WRITE-INS</b>				
0901. ....				
0902. ....				
0903. ....				
0998. Summary of remaining write-ins for Line 9 from overflow page .....				
0999. Totals (Line 0901 through Line 0903 plus Line 0998) (Line 9 above) .....				
2301. Prepaid Expenses .....	554,219	554,219		
2302. Other .....	97,000	97,000		
2303. ....				
2398. Summary of remaining write-ins for Line 23 from overflow page .....				
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above) .....	651,219	651,219		

**LIABILITIES, CAPITAL AND SURPLUS**

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ ..... reinsurance ceded) .....				
2. Accrued medical incentive pool and bonus amounts .....				
3. Unpaid claims adjustment expenses .....				
4. Aggregate health policy reserves .....				
5. Aggregate life policy reserves .....				
6. Property/casualty unearned premium reserve .....				
7. Aggregate health claim reserves .....				
8. Premiums received in advance .....				
9. General expenses due or accrued .....	597,212		597,212	4,886,796
10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized capital gains (losses)) .....				
10.2 Net deferred tax liability .....				
11. Ceded reinsurance premiums payable .....				
12. Amounts withheld or retained for the account of others .....	92,531		92,531	
13. Remittances and items not allocated .....				
14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current) .....				
15. Amounts due to parent, subsidiaries and affiliates .....	960,000		960,000	137,000
16. Payable for securities .....				
17. Funds held under reinsurance treaties with (\$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers) .....				
18. Reinsurance in unauthorized companies .....				
19. Net adjustments in assets and liabilities due to foreign exchange rates .....				
20. Liability for amounts held under uninsured accident and health plans .....	834,715		834,715	
21. Aggregate write-ins for other liabilities (including \$ ..... current) .....				
22. Total liabilities (Line 1 to Line 21) .....	2,484,458		2,484,458	5,023,796
23. Aggregate write-ins for special surplus funds .....	XXX	XXX		
24. Common capital stock .....	XXX	XXX		
25. Preferred capital stock .....	XXX	XXX		
26. Gross paid in and contributed surplus .....	XXX	XXX	3,699,498	3,699,498
27. Surplus notes .....	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds .....	XXX	XXX		
29. Unassigned funds (surplus) .....	XXX	XXX	22,056,686	17,419,440
30. Less treasury stock, at cost:				
30.1 ..... shares common (value included in Line 24 \$ .....)	XXX	XXX		
30.2 ..... shares preferred (value included in Line 25 \$ .....)	XXX	XXX		
31. Total capital and surplus (Line 23 to Line 29 minus Line 30) .....	XXX	XXX	25,756,184	21,118,938
32. Total Liabilities, capital and surplus (Line 22 and Line 31) .....	XXX	XXX	28,240,642	26,142,734
<b>DETAILS OF WRITE-INS</b>				
2101. ....				
2102. ....				
2103. ....				
2198. Summary of remaining write-ins for Line 21 from overflow page .....				
2199. Totals (Line 2101 through Line 2103 plus Line 2198) (Line 21 above) .....				
2301. ....	XXX	XXX		
2302. ....	XXX	XXX		
2303. ....	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page .....	XXX	XXX		
2399. Totals (Line 2301 through Line 2303 plus Line 2398) (Line 23 above) .....	XXX	XXX		
2801. ....	XXX	XXX		
2802. ....	XXX	XXX		
2803. ....	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page .....	XXX	XXX		
2899. Totals (Line 2801 through Line 2803 plus Line 2898) (Line 28 above) .....	XXX	XXX		

## STATEMENT OF REVENUE AND EXPENSES

	Current Year to Date		Prior Year to Date
	1 Uncovered	2 Total	3 Total
1. Member Months .....	X X X	1,152,980	2,369,087
2. Net premium income (including \$ ..... non-health premium income) .....	X X X		
3. Change in unearned premium reserves and reserve for rate credits .....	X X X		
4. Fee-for-service (net of \$ ..... medical expenses) .....	X X X		
5. Risk revenue .....	X X X		
6. Aggregate write-ins for other health care related revenues .....	X X X		
7. Aggregate write-ins for other non-health revenues .....	X X X		
8. Total revenues (Line 2 to Line 7) .....	X X X		
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....			
10. Other professional services .....			
11. Outside referrals .....			
12. Emergency room and out-of-area .....			
13. Prescription drugs .....			
14. Aggregate write-ins for other hospital and medical .....			
15. Incentive pool, withhold adjustments and bonus amounts .....			
16. Subtotal (Line 9 to Line 15) .....			
<b>Less:</b>			
17. Net reinsurance recoveries .....			
18. Total hospital and medical (Line 16 minus Line 17) .....			
19. Non-health claims (net) .....			
20. Claims adjustment expenses, including \$ ..... cost containment expenses .....		1,435,309	3,063,974
21. General administrative expenses .....		(5,379,239)	(10,408,590)
22. Increase in reserves for life and accident and health contracts (including \$ ..... increase in reserves for life only) .....			
23. Total underwriting deductions (Line 18 through Line 22) .....		(3,943,930)	(7,324,616)
24. Net underwriting gain or (loss) (Line 8 minus Line 23) .....	X X X	3,943,930	7,324,616
25. Net investment income earned .....		345,954	247,606
26. Net realized capital gains (losses) less capital gains tax of \$ .....			
27. Net investment gains (losses) (Line 25 plus Line 26) .....		345,954	247,606
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ ..... ) (amount charged off \$ ..... )] .....			
29. Aggregate write-ins for other income or expenses .....		548,973	783,223
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Line 24 plus Line 27 plus Line 28 plus Line 29) .....	X X X	4,838,917	8,355,445
31. Federal and foreign income taxes incurred .....	X X X		
32. Net income (loss) (Line 30 minus Line 31) .....	X X X	4,838,917	8,355,445
<b>DETAILS OF WRITE-INS</b>			
0601. ....	X X X		
0602. ....	X X X		
0603. ....	X X X		
0698. Summary of remaining write-ins for Line 6 from overflow page .....	X X X		
0699. Totals (Line 0601 through Line 0603 plus Line 0698) (Line 6 above) .....	X X X		
0701. ....	X X X		
0702. ....	X X X		
0703. ....	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page .....	X X X		
0799. Totals (Line 0701 through Line 0703 plus Line 0798) (Line 7 above) .....	X X X		
1401. ....			
1402. ....			
1403. ....			
1498. Summary of remaining write-ins for Line 14 from overflow page .....			
1499. Totals (Line 1401 through Line 1403 plus Line 1498) (Line 14 above) .....			
2901. Other Revenue .....		548,973	783,223
2902. ....			
2903. ....			
2998. Summary of remaining write-ins for Line 29 from overflow page .....			
2999. Totals (Line 2901 through Line 2903 plus Line 2998) (Line 29 above) .....		548,973	783,223

**STATEMENT OF REVENUE AND EXPENSES (continued)**

CAPITAL AND SURPLUS ACCOUNT	1	2	3
	Current Year to Date	Prior Year To Date	Prior Year
33. Capital and surplus prior reporting year .....	21,118,907	2,118,907	13,017,648
<b>GAINS AND LOSSES TO CAPITAL AND SURPLUS</b>			
34. Net income (loss) from Line 32 .....	4,638,917	2,460,326	8,355,445
35. Change in valuation basis of aggregate policy and claims reserves .....			
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....			
37. Change in net unrealized foreign exchange capital gain or (loss) .....			
38. Change in net deferred income tax .....			
39. Change in nonadmitted assets .....	(10,903)	(378,251)	755,814
40. Change in unauthorized reinsurance .....			
41. Change in treasury stock .....			
42. Change in surplus notes .....			(1,000,000)
43. Cumulative effect of changes in accounting principles .....			
44. Capital Changes:			
44.1 Paid in .....			
44.2 Transferred from surplus (Stock Dividend) .....			
44.3 Transferred to surplus .....			
45. Surplus adjustments:			
45.1 Paid in .....			
45.2 Transferred to capital (Stock Dividend) .....			
45.3 Transferred from capital .....			
46. Dividends to stockholders .....			
47. Aggregate write-ins for gains or (losses) in surplus .....			(10,000)
48. Net change in capital and surplus (Line 34 to Line 47) .....	4,828,014	2,082,075	8,101,259
49. Capital and surplus end of reporting period (Line 33 plus Line 48) .....	25,946,921	4,200,982	21,118,907
<b>DETAILS OF WRITE-INS</b>			
4701. ....			(10,000)
4702. ....			
4703. ....			
4798. Summary of remaining write-ins for Line 47 from overflow page .....			
4799. Totals (Line 4701 through Line 4703 plus Line 4798) (Line 47 above) .....			(10,000)

**CASH FLOW**

	1	2
	Current Year To Date	Prior Year
<b>Cash from Operations</b>		
1. Premiums collected net of reinsurance .....		
2. Net investment income .....	306,360	281,394
3. Miscellaneous income .....	819,525	625,329
4. Total (Line 1 through Line 3) .....	1,125,885	886,723
5. Benefit and loss related payments .....		
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts .....		
7. Commissions, expenses paid and aggregate write-ins for deductions .....	(1,685,999)	(11,920,324)
8. Dividends paid to policyholders .....		
9. Federal and foreign income taxes paid (recovered) \$ .....	net of tax on capital gains (losses)	
10. Total (Line 5 through Line 9) .....	(1,685,999)	(11,920,324)
11. Net cash from operations (Line 4 minus Line 10) .....	2,811,884	12,807,047
<b>Cash from Investments</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	2,061,492	
12.2 Stocks .....		
12.3 Mortgage loans .....		
12.4 Real estate .....		
12.5 Other invested assets .....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....		
12.7 Miscellaneous proceeds .....		
12.8 Total investment proceeds (Line 12.1 through Line 12.7) .....	2,061,492	
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	8,998,846	
13.2 Stocks .....		
13.3 Mortgage loans .....		
13.4 Real estate .....		
13.5 Other invested assets .....	2,396,904	
13.6 Miscellaneous applications .....		
13.7 Total investments acquired (Line 13.1 through Line 13.6) .....	11,394,750	
14. Net increase or (decrease) in contract loans and premium notes .....		14,253
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	(9,333,258)	(14,253)
<b>Cash from Financing and Miscellaneous Sources</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....		(1,009,800)
16.2 Capital and paid in surplus, less treasury stock .....		
16.3 Borrowed funds .....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....		
16.5 Dividends to stockholders .....		
16.6 Other cash provided (applied) .....		
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....		(1,009,800)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17) .....	(6,521,374)	11,782,994
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	18,172,805	6,389,811
19.2 End of period (Line 18 plus Line 19.1) .....	11,651,431	18,172,805

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001 .....		
20.0002 .....		
20.0003 .....		

**CASH FLOW, Line 20 (Continued)**

	1	2
	Current Year To Date	Prior Year Ended December 31

## EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital and Medical)			4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group											
Total Members at end of:														
1. Prior Year	193,868									193,868				
2. First Quarter	191,878									191,878				
3. Second Quarter	191,317									191,317				
4. Third Quarter														
5. Current Year														
6. Current Year Member Months	1,152,980									1,152,980				
Total Member Ambulatory Encounters for Period:														
7. Physician	573,442									573,442				
8. Non-Physician	24,086									24,086				
9. Total	597,538									597,538				
10. Hospital Patient Days Incurred	52,258									52,258				
11. Number of Inpatient Admissions	10,977									10,977				
12. Health Premiums Written														
13. Life Premiums Direct														
14. Property/Casualty Premiums Written														
15. Health Premiums Earned														
16. Property/Casualty Premiums Earned														
17. Amount Paid for Provision of Health Care Services														
18. Amount Incurred for Provision of Health Care Services														



CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

<sup>1</sup> Account	<sup>2</sup> 1 - 30 Days	<sup>3</sup> 31 - 60 Days	<sup>4</sup> 61 - 90 Days	<sup>5</sup> 91 - 120 Days	<sup>6</sup> Over 120 Days	<sup>7</sup> Total
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NONE

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid Year to Date		Liability End of Current Quarter		5 Claims Incurred in Prior Years (Columns 1 plus 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental only						
4. Vision only						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Line 1 to Line 8)						
10. Healthcare recoverables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals						

NONE

(a) Excludes \$ loans or advances to providers not yet expensed.

**NOTES TO FINANCIAL STATEMENTS**

Quarterly Statement as of June 30, 2005 of Memphis Managed Care Corp

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Memphis Managed Care Corporation Have been prepared in accordance with the NAIC Accounting Practice and Procedure Manual except to the extent that state law Differs.

The company, at the direction of the Commissioner of Insurance of the State of Tennessee for the period Jan – June 2005, on report #2A records claims reimbursements and administrative reimbursements as premiums, instead of netting them against claims and general administrative expenses respectively as required by SAP

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Quarterly Statement Instructions and Accounting Practice and Procedures manual requires the use of management's estimates.

- 1) Short-term investments are stated at amortized cost.
- 2) Bonds are stated at amortized cost using the effective interest method.
- 3) The company does not hold common stock.
- 4) The company does not hold preferred stock.
- 5) The company does not hold mortgage loans.
- 6) The company does not hold loan-backed securities.
- 7) The company does not hold investments in subsidiaries, controlled and affiliated companies.
- 8) The company does not have minor ownership interests in joint ventures.
- 9) The company does not carry derivatives.

2. Accounting Changes and Corrections of Errors

A. Disclosure of material changes in accounting principles and or errors

N/A

3. Business Combinations and Goodwill

A. Statutory Purchase Method

N/A

B. Merger

N/A

C. Impairment Loss

N/A

4. Discontinued Operations

N/A

5. Investments

A. Mortgage Loans

N/A

**NOTES TO FINANCIAL STATEMENTS**

## B. Debt Restructuring

N/A

## C. Reverse Mortgages

N/A

## D. Loan Backed Securities

N/A

## E. Repurchase Agreements

N/A

## 6. Joint Ventures, Partnerships and Limited Liability Companies

N/A

## 7. Investment Income

## A. N/A

## B. Total Amount excluded was \$0

## 8. Derivative Instruments

## 9. Income Tax

## A. Components of net deferred income tax asset or liability

N/A

## B. DTLs not recognized

N/A

## C. Significant components of income taxes incurred

N/A

## D. Significant reconciling items of income taxes incurred

N/A

## E(1). Operating loss and tax credit carry forwards

N/A

## E(2). Recoupment of Income taxes available in the event of future losses

N/A

## F Consolidated federal Income tax return

N/A

## 10. Information Concerning Parent, Subsidiaries and Affiliates

## A. The company is jointly owned by The Regional Medical Center (The Med) &amp; University of Tennessee Medical Group (UTMG).

## B. Description of transactions

N/A

## C. Dollar amount of Transactions

N/A

## D. At June 30, 2005 the company had \$75,887 due from The Med for MedCall &amp; MRI services rendered and 11,500 from UTMG for Medcall services.

## NOTES TO FINANCIAL STATEMENTS

- E. Guarantees or undertakings for the benefit of an affiliate  
N/A
- F. Description of any material management contracts with related parties  
N/A
- G. Ownership in the company is 50% The Med, 50% UTMG
- H. Amount deducted from the value of an upstream intermediate entity  
N/A
- I. Investment in SCA in excess of SCA entity  
N/A
- J. Investment in SCA entity  
N/A
- 11. Debt
  - A. Capital Notes  
N/A
  - B. Other Debt  
N/A
- 12. Retirement Plans, Deferred Compensation, Post employment Benefits and compensated Absences and other Postretirement Benefit Plans
  - B. Defined Contribution Plan  
N/A
  - C. Multiemployer Plans  
N/A
  - D. Consolidated/Holdings Company Plans  
N/A
  - E. Post employment Benefits and Compensated Absences  
N/A
- 13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi Reorganizations.
  - 1) The company has
  - 2) The company has no preferred stock outstanding
  - 3) Dividend Restrictions – N/A
  - 4) Restrictions on unassigned Funds – None
  - 5) The State of Tennessee requires the company to hold statutory deposits in the amount of 3,200,000
  - 6) For mutuals, and similarly organized companies the total amount of advances to surplus not repaid. – N/A
  - 7) Total Amount of Stock Held by the company – N/A
  - 8) Changes in special surplus funds – N/A
  - 9) Portion of unassigned funds (surplus) represented or reduced by each of the following items:
    - a. Unrealized gains and losses - N/A
    - b. Nonadmitted assets 1,578,694
    - c. Stock purchase warrants N/A
  - 10) Surplus Notes

**NOTES TO FINANCIAL STATEMENTS**

11) Impact of the restatement in quasi reorganization – N/A

12) Effective Date of a quasi reorganization – N/A

## 14. Contingencies

## A. Contingent Commitments

N/A

## B. Assessments

N/A

## C. Gain Contingencies

N/A

## D. All Other Contingencies

## 15. Leases

## A. Disclosures related to lessee leasing arrangements

N/A

## B. Disclosures related to lessor leasing arrangements

N/A

## 16. Off Balance Sheet risk

- 1) The company has no financial instruments with off balance sheet risk.
- 2) The company does not use swaps, futures or options.
- 3) The company has no financial instruments with off balance sheet risk, and no counter party exposure.
- 4) The company has on financial instruments subject to credit risk.

## 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

## A. Transfer of Receivables reported as Sales

N/A

## B. Transfer and Servicing of financial Assets

N/A

## C. Wash Sales

N/A

## 18. Gain or Loss to the company from Uninsured A&amp;H Plans and Uninsured Portion of Partially Insured Plans

## A. ASO Plan

The Gain from Operations from ASO uninsured plans and uninsured portion of partially insured plans was as follows during 2005:

	(1)	(2)	(3)
	ASO Uninsured Plan	Uninsured Portion of Partially Insured Plans	Total ASO
a. Net reimbursement for Administrative Expenses (including Administrative Fees) In excess of Actual Expenses	\$ 14,858,640		\$14,858,640

## NOTES TO FINANCIAL STATEMENTS

b.	Total Net Other Income or Expenses (Including Interest paid to or received from plans)	\$	\$
c.	Net Gain or Loss from Operations		
d.	Total Claim Payment Volume	\$164,914,124	\$164,914,124

## B. ASC Plan

N/A

## C. Medicare or Other Similarly structured cost based reimbursement Contact:

N/A

## 19. Direct Premium Written/Produced by managing general agents/third Party Administrators

N/A

## 20. Other Items

## A. Extraordinary Items

N/A

## B. Troubled Debt Restructuring

N/A

## C. Other Disclosures

None

## 21. Events Subsequent

N/A

## 22. Reinsurance

N/A

## 23. Retrospectively Rated Contracts

N/A

## 24. Organization and Operations

Memphis Managed Care Corporation was incorporated as a non-profit organization in 1993. The board of directors has equal representation from both The med and UTMG (owners).

## 25. Salvage and Subrogation

N/A

## 26. Change in Incurred Claims and Claim Adjustment Expense

## 27. Minimum Net Worth

The company must maintain the larger of the minimum net worth of \$1,500,000 or 4% of the first \$150,000,000 in premium and 1.5% in excess of that amount, as reported on the most recent Quarterly Statement filed with the Tennessee Department of Commerce and Insurance.

	Net Premium Revenue	Calculated Requirement
Up To 150,000,000	150,000,000.00	4% 6,000,000.00

**NOTES TO FINANCIAL STATEMENTS**

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>150,000,000	246,665,509.00	1.5%	2,948,029.61
<b>Total</b>	<b>396,665,509.00</b>		<b>9,699,982.00</b>



**GENERAL INTERROGATORIES**

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

**PART 1 - COMMON INTERROGATORIES****GENERAL**

- 1.1 Did the reporting entity implement any significant accounting policy changes which would require disclosure in the Notes to the Financial Statements? Yes ( ) No (X)
- 1.2 If yes, explain:  
.....
- 2.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes ( ) No (X)
- 2.2 If yes, has the report been filed with the domiciliary state? Yes ( ) No ( )
- 3.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes ( ) No (X)
- 3.2 If yes, date of change:  
If not previously filed, furnish herewith a certified copy of the instrument as amended. ....
4. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes ( ) No (X)  
If yes, complete the Schedule Y - Part 1 - organizational chart.
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes ( ) No (X)
- 5.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....	.....	.....
.....	.....	.....
.....	.....	.....

6. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes ( ) No ( ) N/A (X)  
If yes, attach an explanation.
- 7.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 07/31/2001
- 7.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 03/31/2001
- 7.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 10/31/2002
- 7.4 By what department or departments?  
TDCI

- 8.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes ( ) No (X)
- 8.2 If yes, give full information  
.....

- 9.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes ( ) No (X)
- 9.2 If response to 9.1 is yes, please identify the name of the bank holding company.  
.....

- 9.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes ( ) No (X)
- 9.4 If response to 9.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....

**FINANCIAL**

- 10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ( ) No (X)
- 10.2 If yes, indicate the amounts receivable from parent included in the Page amount: \$.....

**GENERAL INTERROGATORIES (continued)**

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted.)

**INVESTMENT**

11.1 Has there been any change in the reporting entity's own preferred or common stock? Yes ( ) No (X)

11.2 If yes, explain

12.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes ( ) No (X)

12.2 If yes, give full and complete information relating thereto:

13. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$

14. Amount of real estate and mortgages held in short-term investments: \$

15.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes ( ) No (X)

15.2 If yes, please complete the following:

	<sup>1</sup> Prior Year-End Book/ Adjusted Carrying Value	<sup>2</sup> Current Quarter Statement Value
15.21 Bonds	\$	\$
15.22 Preferred Stock	\$	\$
15.23 Common Stock	\$	\$
15.24 Short-Term Investments	\$	\$
15.25 Mortgages, Loans or Real Estate	\$	\$
15.26 All Other	\$	\$
15.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Line 15.21 to Line 15.26)	\$	\$
15.28 Total Investment in Parent included in Line 15.21 to Line 15.26 above	\$	\$

16.1 Has the reporting entity entered into any hedging transactions reported on schedule DB? Yes ( ) No (X)

16.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ( ) No ( )

If no, attach a description with this statement.

17. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ( ) No (X)

17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<sup>1</sup> Name of Custodian(s)	<sup>2</sup> Custodian Address

17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<sup>1</sup> Name(s)	<sup>2</sup> Location(s)	<sup>3</sup> Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? Yes ( ) No (X)

17.4 If yes, give full and complete information relating thereto:

<sup>1</sup> Old Custodian	<sup>2</sup> New Custodian	<sup>3</sup> Date of Change	<sup>4</sup> Reason

17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<sup>1</sup> Central Registration Depository	<sup>2</sup> Name(s)	<sup>3</sup> Address

18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes ( ) No (X)

18.2 If no, list exceptions:

**GENERAL INTERROGATORIES - Line 5.2 (Continued)**

<sup>1</sup> Name of Entity	<sup>2</sup> NAIC Company Code	<sup>3</sup> State of Domicile
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**GENERAL INTERROGATORIES - Line 9.4 (Continued)**

<sup>1</sup> Affiliate Name	<sup>2</sup> Location (City, State)	<sup>3</sup> FRB	<sup>4</sup> OCC	<sup>5</sup> OTS	<sup>6</sup> FDIC	<sup>7</sup> SEC
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**GENERAL INTERROGATORIES - Line 17.1 (continued)**

<sup>1</sup> Name of Custodian(s)	<sup>2</sup> Custodian Address
--------------------------------------	-----------------------------------

**GENERAL INTERROGATORIES - Line 17.2 (continued)**

<sup>1</sup> Name(s)	<sup>2</sup> Location(s)	<sup>3</sup> Complete Explanation(s)
-------------------------	-----------------------------	---

**GENERAL INTERROGATORIES - Line 17.4 (continued)**

<sup>1</sup> Old Custodian	<sup>2</sup> New Custodian	<sup>3</sup> Date of Change	<sup>4</sup> Reason
-------------------------------	-------------------------------	--------------------------------	------------------------

**GENERAL INTERROGATORIES - Line 17.5 (continued)**

<sup>1</sup> Central Registration Depository	<sup>2</sup> Name(s)	<sup>3</sup> Address
--	-------------------------	-------------------------

**SCHEDULE A - VERIFICATION**

Real Estate

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year .....		
2. Increase (decrease) by adjustment .....		
3. Cost of acquired .....		
4. Cost of additions to and permanent improvements .....		
5. Total profit (loss) on sales .....		
6. Increase (decrease) by foreign exchange adjustment .....		
7. Amount received on sales .....		
8. Book/adjusted carrying value at end of current period .....		
9. Total valuation allowance .....		
10. Subtotal (Line 8 plus Line 9) .....		
11. Total nonadmitted amounts .....		
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) .....		

**SCHEDULE B - VERIFICATION**

Mortgage Loans

	1 Year To Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year .....		
2. Amount loaned during period:		
2.1. Actual cost at time of acquisitions .....		
2.2. Additional investment made after acquisitions .....		
3. Accrual of discount and mortgage interest points and commitment fees .....		
4. Increase (decrease) by adjustment .....		
5. Total profit (loss) on sale .....		
6. Amounts paid on account or in full during the period .....		
7. Amortization of premium .....		
8. Increase (decrease) by foreign exchange adjustment .....		
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....		
10. Total valuation allowance .....		
11. Subtotal (Line 9 plus Line 10) .....		
12. Total nonadmitted amounts .....		
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) .....		

**SCHEDULE BA - VERIFICATION**

Other Invested Assets Included in Schedule BA

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year .....		
2. Cost of acquisitions during period:		
2.1. Actual cost at time of acquisitions .....		
2.2. Additional investment made after acquisitions .....		
3. Accrual of discount .....		
4. Increase (decrease) by adjustment .....		
5. Total profit (loss) on sale .....		
6. Amounts paid on account or in full during the period .....		
7. Amortization of premium .....		
8. Increase (decrease) by foreign exchange adjustment .....		
9. Book/adjusted carrying value of long-term invested assets at end of current period .....		
10. Total valuation allowance .....		
11. Subtotal (Line 9 plus Line 10) .....		
12. Total nonadmitted amounts .....		
13. Statement value of long term invested assets at end of current period (Page 2, Line 7, Column 3) .....		

**SCHEDULE D - VERIFICATION**

Bonds and Stocks

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....	3,203,495	2,968,950
2. Cost of bonds and stocks acquired .....	8,845,096	2,641,531
3. Accrual of discount .....	11,887	
4. Increase (decrease) by adjustment .....	(7,598)	(6,986)
5. Increase (decrease) by foreign exchange adjustment .....		
6. Total profit (loss) on disposal .....	(3,906)	
7. Consideration for bonds and stocks disposed of .....	1,900,094	2,400,000
8. Amortization of premium .....	7,981	
9. Book/adjusted carrying value, current period .....	10,140,899	3,203,495
10. Total valuation allowance .....		
11. Subtotal (Line 9 plus Line 10) .....	10,140,899	3,203,495
12. Total nonadmitted amounts .....		
13. Statement value .....	10,140,899	3,203,495

STATEMENT AS OF JUNE 30, 2005 OF THE Memphis Managed Care Corp.

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1								
2. Class 2								
3. Class 3								
4. Class 4								
5. Class 5								
6. Class 6								
7. Total Bonds								
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock								
15. Total Bonds and Preferred Stock								

NONE

**SCHEDULE DA - PART 1**

Short-Term Investments Owned End of Current Quarter

	1	2	3	4	5
	Book/Adjusted Carrying Value	Par Value	Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999 Totals .....	3,120,000	X X X	3,120,000	35,786	

**SCHEDULE DA - PART 2 - VERIFICATION**

Short-Term Investments Owned

	1	2
	Year To Date	Prior Year Ended December 31
1. Book / adjusted carrying value, December 31 of prior year .....		
2. Cost of short-term investments acquired .....	3,120,000	
3. Increase (decrease) by adjustment .....		
4. Increase (decrease) by foreign exchange adjustment .....		
5. Total profit (loss) on disposal of short-term investments .....		
6. Consideration received on disposal of short-term investments .....		
7. Book / adjusted carrying value, current period .....	3,120,000	
8. Total valuation allowance .....		
9. Subtotal (Line 7 plus Line 8) .....	3,120,000	
10. Total nonadmitted amounts .....		
11. Statement value (Line 9 minus Line 10) .....	3,120,000	
12. Income collected during period .....	35,786	
13. Income earned during period .....	35,786	

SCHEDULE DB - PART F - SECTION 1

Replicated (Synthetic) Assets Open

Replicated (Synthetic) Asset					Components of the Replicated (Synthetic) Asset							
1	2	3	4	5	Derivative Instruments Open		7	8	9	10	11	12
Replication RSAT Number	Description	NAIC Designation or Other Description	Statement Value	Fair Value	6	Description	Fair Value	CUSIP	Description	Statement Value	Fair Value	NAIC Designation Other Description

NONE

SCHEDULE DB - PART F - SECTION 2

Reconciliation of Replicated (Synthetic) Assets Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year To Date	
	1	2	3	4	5	6	7	8	9	10
	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1. Beginning Inventory										
2. Add: Opened or Acquired Transactions										
3. Add: Increases in Replicated Asset Statement Value	XXX						XXX		XXX	
4. Less: Closed or Disposed of Transactions										
5. Less: Positions Disposed of for Falling Effectiveness Criteria										
6. Less: Decreases in Replicated (Synthetic) Asset Statement Value	XXX						XXX		XXX	
7. Ending Inventory										



## SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3  Name of Reinsurer	4  Location	5 Is Insurer Authorized? (Yes or No)
------------------------------	------------------------------	----------------------------	-------------------	---

**NONE**

**SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS**

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed ? (Yes or No)	Direct Business Only Year to Date					8 Property/ Casualty Premiums
			3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	
1. Alabama	AL							
2. Alaska	AK							
3. Arizona	AZ							
4. Arkansas	AR							
5. California	CA							
6. Colorado	CO							
7. Connecticut	CT							
8. Delaware	DE							
9. District of Columbia	DC							
10. Florida	FL							
11. Georgia	GA							
12. Hawaii	HI							
13. Idaho	ID							
14. Illinois	IL							
15. Indiana	IN							
16. Iowa	IA							
17. Kansas	KS							
18. Kentucky	KY							
19. Louisiana	LA							
20. Maine	ME							
21. Maryland	MD							
22. Massachusetts	MA							
23. Michigan	MI							
24. Minnesota	MN							
25. Mississippi	MS							
26. Missouri	MO							
27. Montana	MT							
28. Nebraska	NE							
29. Nevada	NV							
30. New Hampshire	NH							
31. New Jersey	NJ							
32. New Mexico	NM							
33. New York	NY							
34. North Carolina	NC							
35. North Dakota	ND							
36. Ohio	OH							
37. Oklahoma	OK							
38. Oregon	OR							
39. Pennsylvania	PA							
40. Rhode Island	RI							
41. South Carolina	SC							
42. South Dakota	SD							
43. Tennessee	TN							
44. Texas	TX							
45. Utah	UT							
46. Vermont	VT							
47. Virginia	VA							
48. Washington	WA							
49. West Virginia	WV							
50. Wisconsin	WI							
51. Wyoming	WY							
52. American Samoa	AS							
53. Guam	GU							
54. Puerto Rico	PR							
55. U. S. Virgin Islands	VI							
56. Canada	CN							
57. Aggregate Other Alien	OT	XXX	XXX					
58. Subtotal		XXX	XXX					
59. Reporting entity contributions for Employee Benefit Plans		XXX	XXX					
60. Total (Direct Business)		XXX (a)						
<b>DETAILS OF WRITE-INS</b>								
5701.								
5702.								
5703.								
5796.								
5799.								
Summary of remaining write-ins for Line 57 from overflow page								
Total (Line 5701 through Line 5703 plus Line 5796) (Line 57 above)								

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES  
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

All entity members of a Holding Company Group that have acquired and/or disposed of any domestic entity(s) since filing the last annual or quarterly statement shall prepare a common schedule for inclusion in each of the individual quarterly statements

PART 1 - ORGANIZATIONAL LISTING

1 NAIC Group Code	2 Group Name	3 NAIC Company Code	4 State of Domicile	5 FEI Number	6 Name of Company
----------------------	-----------------	------------------------	------------------------	-----------------	----------------------

NONE

**SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES  
OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**

**PART 1 - ORGANIZATIONAL CHART**

**NONE**

SCHEDULE A - PART 2

Showing All Real Estate ACQUIRED During the Current Quarter

1 Description of Property	Location		4 Date Acquired	5 Name of Vendor	6 Actual Cost	7 Amount of Encumbrances	8 Book / Adjusted Carrying Value Less Encumbrances	9 Expended for Additions and Permanent Improvements
	2 City	3 State						

NONE

SCHEDULE A - PART 3

Showing All Real Estate SOLD During the Quarter, Including Payments During the Final Year on "Sales under Contract"

1 Description of Property	Location		4 Disposal Date	5 Name of Purchaser	6 Actual Cost	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Expended for Additions, Permanent Improvements and Changes in Encumbrances	10 Book/Adjusted Carrying Value Less Encumbrances	11 Amounts Received	12 Foreign Exchange Profit (Loss) on Sale	13 Realized Profit (Loss) on Sale	14 Total Profit (Loss) on Sale	15 Gross Income Earned Less Interest Incurred on Encumbrances	16 Taxes, Repairs and Expenses Incurred
	2 City	3 State													

NONE

SCHEDULE B - PART 1

Showing All Mortgage Loans ACQUIRED during the Current Quarter

1 Loan Number	Location		4 Loan Type	5 Actual Cost	6 Date Acquired	7 Rate of Interest	8 Book Value/Recorded Investment Excluding Accrued Interest	9 Increase (Decrease) by Adjustment	10 Increase (Decrease) by Foreign Exchange Adjustment	11 Value of Land and Buildings	12 Date of Last Appraisal or Valuation
	2 City	3 State									

NONE

SCHEDULE B - PART 2

Showing All Mortgage Loans SOLD, Transferred or Paid In Full During the Current Quarter

1 Loan Number	Location		4 Loan Type	5 Date Acquired	6 Book Value/Recorded Investment Excluding Accrued Interest Prior Year	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Book Value/Recorded Investment Excluding Accrued Interest at Disposition	10 Consideration Received	11 Foreign Exchange Profit (Loss) on Sale	12 Realized Profit (Loss) on Sale	13 Total Profit (Loss) on Sale
	2 City	3 State										

NONE

SCHEDULE BA - PART 1

Showing Other Long-Term Invested Assets ACQUIRED During the Current Quarter

1 CUSIP Identification	2 Number of Units and Description	3 Location		5 Name of Vendor	6 NAIC Designation	7 Date Acquired	8 Actual Cost	9 Amount of Encumbrances	10 Book/Adjusted Carrying Value Less Encumbrances	11 SVO Assigned Value	12 Increase (Decrease) by Adjustment	13 Increase (Decrease) by Foreign Exchange Adjustment
		3 City	4 State									

NONE

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets SOLD, Transferred or Paid in Full During the Current Quarter

1 Number of Units and Description	2 Location		4 Name of Purchaser or Nature of Disposition	5 Date Acquired	6 Book/Adjusted Carrying Value Less Encumbrances Prior Year	7 Increase (Decrease) by Adjustment	8 Increase (Decrease) by Foreign Exchange Adjustment	9 Book/Adjusted Carrying Value less Encumbrances at Disposition	10 Consideration Received	11 Foreign Exchange Profit (Loss) on Sale	12 Realized Profit (Loss) on Sale	13 Total Profit (Loss) on Sale
	2 City	3 State										

NONE

## SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
313XB-EE-1	FEDERAL HOME LOAN BANK		05/18/2005	AMSOUTH BANK		150,351	150,000.00		775
3622D-MF-8	GOVERNMENT NATL MTG ASSN POOL		06/15/2005	AMSOUTH BANK		241,379	238,671.56		729
912228-CM-0	UNITED STATES TREASURY		05/03/2005	AMSOUTH BANK		347,334	350,000.00		3,297
912228-B-1-8	UNITED STATES TREASURY		05/09/2005	NBC		498,516	500,000.00		1,902
912765-VP-3	UNITED STATES TREASURY		04/21/2005	NBC		494,578	500,000.00		
0396999 - Subtotal	Bonds - U.S. Governments					1,732,669	1,738,671.56		6,704
Bonds - Industrial and Miscellaneous (Unaffiliated)									
3662G-FL-1	GENERAL ELECTRIC CAPITAL		06/23/2005	AMSOUTH		98,397	100,000.00		1,268
4599999 - Subtotal	Bonds - Industrial and Miscellaneous (Unaffiliated)					98,397	100,000.00		1,268
6099997 - Subtotal	Bonds - Part 3					1,831,255	1,838,671.56		7,971
6099999 - Subtotal	Bonds					1,831,255	1,838,671.56		7,971
7499999 - TOTALS						1,831,255			7,971

(a) For all common stock bearing the NAIC market indicator "U" provide the number of such issues .....



**SCHEDULE D - PART 4**

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of  
by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value				15	16	17	18	19	20	21	22
CUSIP Identifi- cation	Description	Foreign	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amort- ization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	Total Foreign Exchange Change in B./A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designa- tion or Market Indi- cator (a)
Bonds - U.S. Governments																					
912232-AX-3	UNITED STATES TREASURY		05/02/2005	AMSOUTH		250,000	250,000.00	249,580			420		420		250,000				2,031	04/30/2005	
0395999	Subtotal - Bonds - U.S. Governments					250,000	250,000.00	249,580			420		420		250,000				2,031		
Bonds - Public Utilities (Unaffiliated)																					
637432-CC-7	NATIONAL RURAL UTILITIES		05/16/2005	AMSOUTH		154,000	154,000.00	155,043			(1,043)		(1,043)						4,716	05/15/2005	
3695999	Subtotal - Bonds - Public Utilities (Unaffiliated)					154,000	154,000.00	155,043			(1,043)		(1,043)						4,716		
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
1249K-AB-3	CBS CORP		05/20/2005	AMSOUTH		100,000	100,000.00	100,946			(946)		(946)		100,000				3,575	05/20/2005	
	WASHINGTON MUTAL FIN CORP		05/15/2005	AMSOUTH		100,000	100,000.00	101,553			(1,553)		(1,553)		100,000				4,125	06/15/2005	
	TOYOTA MOTOR CREDIT		06/23/2005	AMSOUTH		100,000	100,000.00	100,000							100,000				956	06/23/2005	
	BB&T CORP		06/30/2005	AMSOUTH		100,000	100,000.00	101,153			(1,153)		(1,153)		100,000				3,188	06/30/2005	
020002-AL-5	ALLSTATE CORP		05/02/2005	AMSOUTH		100,000	100,000.00	100,901			(901)		(901)		100,000				3,938	05/02/2005	
4595999	Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					500,000	500,000.00	504,553			(4,553)		(4,553)		500,000				15,781		
6095997	Subtotal - Bonds - Part 4					904,000	904,000.00	909,176			(5,176)		(5,176)		750,000				22,528		
6095999	Subtotal - Bonds					904,000	904,000.00	909,176			(5,176)		(5,176)		750,000				22,528		
7495999	TOTALS					904,000		909,176			(5,176)		(5,176)		750,000				22,528		

(a) For all common stock bearing the NAIC market indicator "U" provide the number of such issues .....

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Owned at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index	Date of Acquisition	Exchange or Counterparty	Cost/Option Premium	Book Value	*	Statement Value	Fair Value	Year to Date Increase/(Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/Miscellaneous Income

NONE

SCHEDULE DB - PART B - SECTION 1

Showing all Options, Caps, Floors and Insurance Futures Options Written and In-Force at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Description	Number of Contracts or Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index	Date of Issuance/Purchase	Exchange or Counterparty	Consideration Received	Book Value	*	Statement Value	Fair Value	Year to Date Increase/(Decrease) by Adjustment	Used to Adjust Basis	Other Investment/Miscellaneous Income

NONE

SCHEDULE DB - PART C - SECTION 1

Showing all Collar, Swap and Forwards Open at Current Statement Date

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Description	Notional Amount	Date of Maturity, Expiry, or Settlement	Strike Price, Rate or Index Rec (Pay)	Date of Opening Position or Agreement	Exchange or Counterparty	Cost or (Consideration Received)	Book Value		Statement Value	Fair Value	Year to Date Increase (Decrease) by Adjustment	Used to Adjust Basis of Hedged Item	Other Investment/ Miscellaneous Income	Potential Exposure

NONE

SCHEDULE DB - PART D - SECTION 1

Showing all Futures Contracts and Insurance Futures Contracts at Current Statement Date

1	2	3	4	5	6	7	8	9	Variation Margin Information			13
Description	Number of Contracts	Maturity Date	Original Value	Current Value	Variation Margin	Date of Opening Position	Exchange or Counterparty	Cash Deposit	10	11	12	Potential Exposure
									Recognized	Used to Adjust Basis of Hedged Item	Deferred	

NONE

**SCHEDULE E - PART 1 - CASH**

Month End Depository Balances

1 Depository		2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Name	Location and Supplemental Information	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6 First Month	7 Second Month	8 Third Month	*
Open Depositories									
GENERAL OPERATING	NBC					116,156	115,928	115,958	
INVESTMENT	NBC			24,362		4,104,899	3,124,198	3,134,711	
GENERAL OPERATING	AMSOUTH			24,115		5,215,919	382,294	4,743,186	
CLAIMS	AMSOUTH					(14,186,650)	(12,305,733)	(12,218,214)	
PAYROLL	AMSOUTH					(3,342)	(86,603)		
ESCROW	NBC			1,337		226,528	232,127	232,618	
TRUST	AMSOUTH			92,388		13,700,283	14,335,217	15,642,572	
0199999 - TOTAL - Open Depositories				142,202		9,173,793	5,797,428	11,650,831	
0399999 - TOTAL Cash on Deposit				142,202		9,173,793	5,797,428	11,650,831	
0499999 - Cash in Company's Office						600	600	600	
0599999 - TOTALS				142,202		9,174,393	5,798,028	11,651,431	

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1 CUSIP Identification	2 Description	3 Code	4 Date Acquired	5 Rate of Interest	6 Maturity Date	7 Book Adjusted Carrying Value	8 Amount of Interest Due and Accrued	9 Gross Investment Income
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NONE

**Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES**

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	576,158	1,152,980	2,369,087
<b>REVENUES:</b>			
1 TennCare Capitation	94,057,318	183,581,005	366,975,393
2 Investment	194,647	345,954	247,606
3 Other Revenue	-	-	764,874
4 Total Revenue	94,251,965	183,926,958	390,850,243
<b>EXPENSES:</b>			
Medical and Hospital Services			
5 Capitated Physician Services	2,777,744	5,828,731	11,513,525
6 Fee for Service Physician Services	20,684,647	39,302,698	89,264,441
7 Inpatient Hospital Services	17,855,715	36,832,134	73,923,828
8 Outpatient Services	78,216	94,493	270,682
9 Emergency Room Services	7,519,110	14,378,207	23,979,250
10 Mental Health Services	4,178	11,670	34,970
11 Dental Services	-	-	49,461
12 Vision Services	403,259	914,302	2,618,960
13 Pharmacy Services	-	2,511	37,822
14 Home Health Services	742,302	1,984,636	2,983,935
15 Chiropractic Services	-	-	-
16 Radiology Services	1,314,859	2,791,870	10,509,469
17 Laboratory Services	2,858,907	5,718,906	10,309,176
18 Durable Medical Equipment Services	175,192	753,929	7,271,374
19 Transportation Services	1,079,337	1,928,724	4,441,843
20 Outside Referrals	-	-	-
21 Medical incentive Pool and Withhold Adjustments	-	-	-
22 Occupancy Depreciation and Amortization	-	-	-
23 Other Medical and Hospital Services	30,448,630	57,025,950	97,558,604
24 Subtotal	85,942,096	167,568,762	334,767,340
25 Reinsurance Expense Net of Recoveries	737,027	1,760,123	2,696,067
<b>LESS:</b>			
26 Copayments	-	-	-
27 Subrogation	188,578	372,336	304,885
28 Coordination of Benefits	137,169	240,673	487,529
29 Subtotal	325,747	613,010	792,414
30 TOTAL MEDICAL AND HOSPITAL	86,353,376	168,715,874	336,670,993
Administration			
31 Compensation	2,499,286	5,029,374	9,779,655
32 Marketing	14,444	39,866	83,143
33 Interest Expense	-	-	-
34 Premium Tax Expense	-	-	-
35 Occupancy Depreciation and Amortization	224,863	466,494	1,191,557
36 Other Administration	2,511,721	4,798,096	11,907,077
37 TOTAL ADMINISTRATION	5,250,315	10,333,831	22,961,433
38 TOTAL EXPENSES	91,603,691	179,049,705	359,632,426
39 NET INCOME (LOSS)	2,648,273	4,877,253	8,355,447

STATEMENT AS OF JUNE 30, 2005 OF THE MEMPHIS MANAGED CARE CORP.

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1	2	3	4	5	6	7
Name of Debtor	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	Non Admitted'	Admitted

NONE

STATEMENT AS OF JUNE 30, 2005 OF THE MEMPHIS MANAGED CARE CORP.

EXHIBIT 3 - HEALTH CARE RECEIVABLES

<sup>1</sup> Name of Debtor	<sup>2</sup> 1 - 30 Days	<sup>3</sup> 31 - 60 Days	<sup>4</sup> 61 - 90 Days	<sup>5</sup> Over 90 Days	<sup>6</sup> Non Admitted	<sup>7</sup> Admitted
UNIVERSITY OF TENNESSEE	-	-	-	10,323	10,323	-
Renal Care Group Memphis-Ea	-	-	-	30,245	30,245	-
METHODIST HOSP OF MCKENZIE	-	-	-	33,111	33,111	-
Receivables Not Individually listed	7,035			126,708	126,708	7,035
<b>Gross Health Care Receivables</b>	<b>7,035</b>	<b>-</b>	<b>-</b>	<b>200,387</b>	<b>200,387</b>	<b>7,035</b>



STATEMENT AS OF JUNE 30, 2005 OF THE MEMPHIS MANAGED CARE CORP.

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Non Admitted'	7 Admitted
Med-MRI	22,887.00	-	-	-	-	22,887.00
Medplex	3,000.00	-	-	-	-	3,000.00
The Health Loop	25,000.00	-	-	25,000.00	25,000.00	25,000.00
UT Medical Group, Inc.	11,500.00	-	-	-	-	11,500.00
TOTAL gross amounts receivable	62,387.00	-	-	25,000.00	25,000.00	62,387.00

### Statement of Actuarial Opinion

I, A. Kirk Twiss, am associated with the firm of Reden & Anders, Ltd., and am a Member of the American Academy of Actuaries. Reden & Anders, Ltd. has been retained by Memphis Managed Care Corp. (MMCC) with regard to claim liabilities and related items. I meet the Academy qualification standards for rendering the opinion and I am familiar with the valuation requirements applicable to MMCC.

I have examined the actuarial assumptions and actuarial methods used in determining claim liabilities listed below, as shown in the quarterly statement of MMCC, as prepared for filing with state regulatory officials as of June 30, 2005:

Claims Unpaid (restated April 2002) (Page 3, Line 1)	\$0
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Remaining IBNR as of 6/30/2005 (MFT report)	\$32,518,922
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I have relied on listings and summaries of claims and other relevant data, as prepared by MMCC. I relied on Arthur Ansert, CFO for the accuracy of the data as expressed in the attached statement. In other respects, my examination included such review of the actuarial assumptions and actuarial methods used and such tests of the actuarial calculations as I considered necessary.

I have not reviewed the financial position of any party related by contract to MMCC. I have assumed that such parties are in a financial position to meet all liabilities resulting from such contracts.

In my opinion, the amounts carried in the balance sheet on account of items identified above:

1. Are in accordance with presently accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial principles;
2. Are based on actuarial assumptions which produce reserves at least as great as those called for in any contract provisions and appropriate to the purpose for which the Statement was prepared;
3. Meet the requirements of the insurance laws and regulations of the state of Tennessee and are at least as great as the minimum aggregate amounts required by Tennessee;
4. Make a good and sufficient provision for all unpaid claims of the organization under the terms of its contracts and agreements;

5. Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end; and
6. Include provision for all actuarial items which ought to be established.

I have reviewed the Underwriting and Investment Exhibit, Part 2B. The schedule was prepared consistent with *Section 3.6, Follow-Up Studies* contained in Actuarial Standard of Practice No. 5, *Incurred Health Claim Liabilities*.

The reserves and related actuarial items identified above make adequate provision for the anticipated cash flows related to the contractual obligations and expenses of MMCC, when considered in conjunction with the assets held by MMCC with respect to such reserves and related actuarial items, including, but not limited to, the cash flows on such assets and the considerations anticipated to be received under such policies and contracts.

The actuarial methods, considerations and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board, which standards form the basis of this statement of opinion.



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A. Kirk Twiss  
Fellow, Society of Actuaries  
Member, American Academy of Actuaries

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AKT:bc

October 4, 2005